



Technical Director
International Ethics Standards Board for Accountants
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York 10017

May 3rd, 2017

Re: IESBA Exposure Draft – Proposed revisions to clarify the Applicability of the Provisions of the Extant Code to Professional Accountants in Public Practice

Dear Mr Siong

Introduction

We¹ appreciate and thank you for the opportunity to comment on the IESBA’s Exposure Draft (ED) “Proposed revisions to clarify the Applicability of the Provisions of the Extant Code to Professional Accountants in Public Practice (PAPP)”.

Principal comments

In response to the specific questions that the Board raised in the ED:

We support the view of the Board that there are aspects of extant Part C (to be Part 2), which addresses Public Accountants in Business (PAIB), that may be applicable to all professional accountants working in a firm that provides professional services. Such applicability will depend on the facts and circumstances.

¹ This response is being filed on behalf of PricewaterhouseCoopers International Limited (PwCIL). References to “PwC”, “we” and “our” refer to PwCIL and its global network of member firms, each of which is a separate and independent legal entity.

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We also agree that it is not necessary or appropriate to be specific about which elements of Part C may apply as this will depend on the circumstances, and we could envisage that sub-sections, such as Preparation and Presentation of Financial Information, could equally be relevant.

We agree with the placement of the applicability paragraphs in Sections 120 and 300.

In terms of the content of proposed R120.4 and R300.5, we have an observation on the introductory sentence which in each case is:

“When facing an ethical issue, a professional accountant shall consider the context within which the issue has occurred”

We wonder whether the emphasis of this sentence is quite correct as it implies that the professional accountant has identified a specific “issue” that needs to be addressed. While we can see that this could be the case, for example where the accountant identifies a conflict of interest, we observe that much of this Part of the Code sets out requirements, supported by application material, to help the accountant comply with the fundamental principles. For example (R240.4)

“A professional accountant shall not manipulate information or use confidential information for personal gain or for the financial gain of others”

While this could be an issue if the accountant did not comply, it is more an overriding requirement (in effect to avoid an issue arising).

Accordingly we suggest that the lead in sentence could either be deleted (as the paragraph works without it) or be reframed along the following lines:

“In complying with the requirements of the Code, a professional accountant shall consider and apply the Code in the context to which it relates”.

Additional comments

Application to “professional accountants”

While we do not believe this impacts the intended result, we do consider that there is a lack of clarity about whom extant Part C could apply to directly or indirectly. This stems from historic uncertainty in the extant definitions below:

Professional accountant	An individual who is a member of an IFAC member body.
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Professional accountant in business	A professional accountant employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a professional accountant contracted by such entities.
Professional accountant in public practice	A professional accountant, irrespective of functional classification (for example, audit, tax or consulting) in a firm that provides professional services. This term is also used to refer to a firm of professional accountants in public practice.

The explanatory memorandum to the ED says that “*While the extant definition of a PAIB covers professional accountants employed in firms in roles other than providing professional services to clients (for example, in finance or IT roles), questions were raised during the IESBA’s deliberations in Phase 1 of the project about the applicability of the provisions in Part C to PAPPs themselves, i.e., professional accountants in firms who provide professional services to clients*”.

In looking at the extant definitions we note that:

- There is no clear limitation in the definition of a PAPP to those who actually provide professional services, although we believe that was the intent. As drafted, however, it appears to include any professional accountant **in a firm** that provides professional services. Thus it can be read to also include *professional accountants employed in firms in roles other than providing professional services to clients (for example, in finance or IT roles)*
- Conversely, if the intent is that a firm providing professional services is in a “service” industry, then prima facie any professional accountant working in that service organisation, including those providing professional services, is also a PAIB.

Accordingly, the distinction between the two is not clear and it could be argued that in the case of a firm of professional accountants (as opposed to a corporate) that all professional accountants employed by the firm are caught by both definitions. We recommend that for there to be clarity on the applicability paragraphs, and as regards which requirements apply to whom, these definitions should be revisited as soon as possible by the Board.

Application to non-accountants

In addition, we take this opportunity to raise an important issue which, while recognising that this is a broader issue not directly related to the ED, is tangential and is giving rise to increasing questions.

There has always been some uncertainty as to whether the definition of a PAPP includes non-accountants working in a firm of professional accountants. This ED gives rise to the additional questions as to whether such individuals could also be PAIB. We have always broadly taken the view that such individuals, such as lawyers and IT professionals, are covered by certain aspects of the code as they work in “the firm” and the provisions in the Code also apply to the firm. Thus we apply the



independence provisions in the code to these individuals when they provide non-assurance services to an audit client for example - this is not in question.

However, we have a particular concern regarding lawyers, whether providing legal services to clients or legal services internally within the firm. Structurally these individuals may be employed in a separate law firm or could be employed by the audit firm itself. Lawyers are professionals subject to their own code of conduct/ethics governing such matters as client confidentiality, legal privilege and gifts.

With the introduction of the new NOCLAR provisions, the proposal in the ED that other elements of Part C may apply to PAPPs, and also the planned extension of Part 3 (PAPPs) – for example in relation to gifts, hospitality and inducements - we believe that it is important that there is clarity on the term PAPP and if and when the provisions in the Code might apply to non-accountants in a firm.

Contact

We would be happy to discuss our views with you. If you have any questions regarding this letter, please contact Diana Hillier at diana.hillier@pwc.com, or me, at jan.e.mccahey@uk.pwc.com.

Yours sincerely

A handwritten signature in cursive script that reads 'Jan McCahey'.

Jan McCahey
Global Regulatory Leader